

Alabama Supreme Court orders dismissal of lawsuit challenging RSA's investments in state projects



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(Alabama Supreme Court)

The Alabama Supreme Court, in a divided opinion issued Wednesday, ordered the dismissal of **a 2011 lawsuit** that claims the Retirement Systems of Alabama (RSA) illegally and improperly invested billions of dollars in funds that earned lower-than-average returns, in part by favoring state investments.

RSA manages the retirement funds for state employees and teachers.

In their opinion justices stated they are not equipped to oversee the investment decisions of boards such as the RSA, that have been granted broad authority by the Alabama Legislature.

"The doctrines of sovereign immunity and separation of powers require that the judicial branch honor that delegation and not take upon itself the task of reviewing the investment strategies and decisions of the boards of control, at least not under the circumstances presented here," justices wrote.

A Montgomery circuit court judge had denied a request by RSA to dismiss the lawsuit that had been brought by two named plaintiffs - a state employee, who is a member of the Employees' Retirement System of Alabama, and the other a member of the Teachers' Retirement System of Alabama.

The Alabama Supreme Court on Wednesday ordered the judge to vacate the order and grant RSA's motion to dismiss the complaint.

The decision wasn't unanimous. Three justices, Lyn Stuart, Tom Parker, and Kelli Wise, concurred in the opinion. Justices Michael Bolin and Tommy Bryan concurred in the result. And Chief Justice Roy Moore and Greg Shaw dissented, saying it was premature at this point for them to "supplant"

The lawsuit claims the RSA made bad **investments in Alabama** golf courses, office buildings, condominiums, hotels, resorts and companies when managers knew they could earn higher return with other investments. The lawsuit specifically noted a \$500 million **loan to a Canadian company** that planned to build rail cars in Alabama a \$2 billion investment in **Montgomery-based Raycom Media** and Birmingham-based Community Newspaper Holdings Inc..

The Associated Press reported that RSA CEO David Bronner called the ruling "good news" and that an employees' attorney reported they are disappointed.